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national farmers union

In Union is Strength



NATIONAL FARMERS UNION

Submission

to the

LEGISLATIVE COMMITTEE

on the subject of


Bill C-48

An Act to amend the Crop Insurance Act

presented in

Ottawa, Ontario

February 15, 1990



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Introduction

We welcome the opportunity to present some views on amendments to the Crop Insurance Act as embodied within Bill C-48.

The need for crop insurance protection has been brought into sharp focus during recent years throughout the nation. The Farm Union has been a long standing proponent of crop insurance pre-dating the passage of the original federal Crop Insurance Act in 1959. There is an unanimous agreement among National Farmers Union members that there can be no turning back on the concept of shared risk income-loss protection resulting from natural disaster production shortfalls. Ongoing efforts for its improvement must continue.

Review of United States Situation

It is gratifying that Canada is not following the apparent course indicated by United States Secretary of Agriculture, Clayton Yeutter in his appearance before the United States Senate Agriculture Committee on February 6, 1990. On that occasion, he is reported to have stated that the United States government intends to scrap its federal Crop Insurance Act and replace it with a permanent disaster program, the activation of which would be totally discretionary upon the Secretary of Agriculture. It would eliminate individual producer crop loss coverage and be applied on a minimum single county basis.

An apparent consideration in the United States action is said to be a desire to rid itself of ad-hoc disaster programs which were found to be necessary in recent drought years and there has been less than 100% participation in its Crop Insurance plan. This would be solved with mandatory participation of all producers covering all crops but is still politically unacceptable.

An Assessment of Bill C-48

In the absence of regulation to the revised Crop Insurance Act some of our observations are of necessity based on assumptions and/or presumptions.

Bill C-48 remains as a voluntary program and consequently it can be assumed that not all producers will opt for coverage nor will all crops necessarily be eligible for coverage. It is further anticipated, because of voluntary participation, that ad-hoc programs will need to remain as potential future disaster policy options. We have long held the view that a National Disaster Assistance program should be structured and continue to recommend this be done outside the framework of the Crop Insurance Act.

Article 4 (b) states the federal commitment will be reduced to "an amount equal to the share of the premiums paid by the province under the insurance scheme in that year up to a maximum of twenty-five per cent of all premiums paid under the insurance scheme in that year."

We are seriously concerned by the reduced federal commitment to the crop insurance program this implies. The last federal budget indicated the amount to be spent on crop insurance for 1989-90 would be reduced by \$90 million and a further \$110 million decline was projected for the 1990-91 fiscal year.

This reduced federal committment toward agriculture and the subsequent transfer of added costs upon provincial treasuries is, we believe, bad in principle for two basic reasons. First, the burden of cost will not fall equally upon all provinces, some of which will find it difficult to assume. Secondly, because of this disparity there are likely to be wide variations in the kind of insurance programs that may be available to producers in the separate provinces. As a consequence a truly national program and so-called "level playing field" between provinces will not be created in crop loss protection.

We recommend the federal government committment to crop insurance be increased to assume two-thirds of the premium committment to be matched by a one-third producer share. Provinces should continue to assume the costs of administration.

The present wording of the bill suggests the federal contribution would be governed by annual loss claims. Enrolled producers will need to pay their full share of premiums but the federal and provincial governments would pay their respective shares into the provincial plans only as circumstances dictate. We anticipate there may be years in which the producer share would represent well over 50% of funds collected by their respective crop insurance programs. The funds could conceivably be depleted every year and farmers could well be confronted with rate increases which might otherwise not be the case.

We welcome the provision for waterfowl crop damage programs which are to be fully cost shared between the federal and provincial governments. This provision should be a mandatory part of all the federal-provincial agreements in order that the legitimate interests of producers may be fully protected against losses resulting from migratory waterfowl.

This provision, however, is not encompassing enough to include frequent crop losses that do occur in many areas of the country as a result of other wild game damage or pests such as blackbirds. If these causes of potential crop loss are not specifically included in the Act they may be exempted in the negotiation of provincial plans. Based on the wording of Clause 4, it seems apparent that agreements may vary widely between provinces in respect to a number of other conditions as well, such as the types of crops to be insured, areas to which plans may extend, levels of coverage and so forth.

We are also interested in having crop insurance programs provide specific protection for crops through the provision of single peril insurance. The concept of risk splitting is also important to many farmers in circumstances where farm land is separated by distance. Spot-loss hail coverage would fall within this definition.

The need for better soil conservation practices has become self apparent in many areas. It has been suggested by some that crop insurance may mask environmental signals and postpone decisions by farmers to implement necessary adjustments.

Better soil conservation practices must be actively encouraged but the necessary incentives to retire lower-quality land from traditional cropping rotations must be covered by separate and distinct policy initiatives. Sound soil management practices deserve to be rewarded but such has seldom resulted through the influence of market prices. Forage crop insurance is one approach that would dovetail well into an overall soil conservation program.

The determination of the per unit value of a crop will be critical to the program. We recommend that the formula for determination of value be based on a comprehensive cost of

production formula that will adequately reflect the real average cost and value of producing each specific crop eligible for coverage. It will be this calculation that will really determine the relevance of the ninety per cent maximum coverage.

The fiscal year for crop insurance coverage is to extend from April 1st to March 31st. It will be critical to the effectiveness of any plan to consider the possibility that in some harvest seasons adverse conditions dictate that crops may not be harvestable until spring - well after the March 31st end of the fiscal year. Flexibility will need to be assured under any plans that are negotiated.

Clause 4 (3) refers to the condition in the agreement which would "stipulate the minimum number of insurance contracts or the minimum amount of insurance required in respect of any risk area or any crop in order to entitle the province to contributions in respect thereof".

With the increased emphasis upon producers to diversify their production efforts, we recommend that every consideration be given in program designs to enable meeting this objective.

In this regard, special emphasis should be given toward designing programs that fulfill the particular protection needs of organic producers. Consideration must be extended to the reality that organic farming methods so not rely on traditional chemical treatments to control weeds or insects. Consequently data independent of that applied to traditional farming methods will need to be developed.

While less specific than the wording of the Act as it presently reads, the proposed amendment of Clause 5 as it applies to Section 9 should provide greater discretion in compensating producers who have been prevented from planting crops because of particular natural circumstances. This amendment should represent an improvement to the Act.

It is observed that there are no provisions contained in Bill C-48 to provide for the structure of an overall national crop insurance board which would include producer representation for monitoring and input on the general operations of the program and pinpointing possible weaknesses that may surface in the plan. Such a board could function as a liaison with the respective provincial crop insurance boards.

We recommend serious consideration be given to the structuring of such a national crop insurance board.

A major impact upon the administrative costs of crop insurance is related to the manner in which the program will be marketed in its respective jurisdictions.

In this regard, the Saskatchewan Crop Insurance Corporation, through its Minister, Hon. Neal Hardy, announced on September 8, 1989 its intention to create 230 privately franchised insurance businesses throughout the province. There are presently 32 offices. It is understood that agents will be guaranteed a minimum of \$100.00 per contract signed. Details as released by the S.C.I.C. are attached as Appendix A.

We are not endeavouring to prejudge the wisdom of this initiative, but we are concerned that the organizing of such a massive structure will eventually reflect in higher premium costs to producers. The money to sustain this size of infrastructure must come from somewhere. In our view the vast majority of farmers are quite conscious of their need for crop loss protection and no longer need to be "sold" on the idea. In most cases they will seek the coverage, rather than have to be pursued.

We recommend this Committee examine in some detail the implications to possible insurance costs of the Saskatchewan program upon the two levels of government involved in the sharing of administration costs and particularly upon producers in regard to the effect it may have upon future premium costs.

Conclusion

Crop insurance is and must remain a cornerstone of national agricultural safety-net programs. It must remain a fully Canadian crop protection program comprehensive in design and application as well as realistic in the levels of protection it offers and cost of enrollment.

All of which is respectfully
submitted by:

National Farmers Union

APPENDIX A

SASKATCHEWAN CROP INSURANCE CORPORATION
MARKETING AGENTS

CROP INSURANCE.
IT'S YOUR BUSINESS

There are 230 new business opportunities opening up across rural Saskatchewan.

The Saskatchewan Crop Insurance Corporation is committed to providing agricultural producers with access to top quality insurance products and services.

To ensure a continued high level of personalized service, we're developing an independent agent structure with over 230 offices province-wide.

If you're a results-oriented person with a sound understanding of agriculture and agricultural issues, as well as experience in farm management or associated activities, we'd like to hear from you.

The position requires you to make an initial investment of cash equity and training time. If you're confident in your abilities, we encourage you to complete and return an application form and business plan.

Recruitment, selection, appointment and training of agents will begin in selected areas of the province immediately.

Drop by your local Saskatchewan Crop Insurance Customer Service Office or Rural Service Centre for your application form and documentation. Or contact the Saskatchewan Crop Insurance head office in Melville.

All communications, applications and business proposals should be directed to:

AGENT RECRUITMENT
Saskatchewan Crop Insurance
Box 3000
Melville, Saskatchewan
S0A 2P0

CROP INSURANCE NOW IT'S YOUR BUSINESS

There are 230 new business opportunities opening up across rural Saskatchewan.

The Objective . . .

The Saskatchewan Crop Insurance Corporation is committed to providing agricultural producers with access to top quality insurance products and services regarding coverage on production loss and damage.

The Idea . . .

To ensure a continued high level of personalized service to contract holders, and to expand the client base, an independent agent structure is being developed with over 230 offices province-wide.

The Opportunity . . .

Independent agents will provide contract account service to customers in a specific geographic area. Reimbursement will be on a commission-only basis, to approximately \$100 per contract amount.

If you're a results-oriented person with a sound understanding of agricultural practices and issues, Saskatchewan Crop Insurance would like to hear from you.

The Challenge . . .

As an independent agent, you will:

- * maintain current knowledge of the total range of insurance products offered through Saskatchewan Crop Insurance, to help your customers choose the best products for their specific operation,
- * develop and maintain a first-hand knowledge of each client's needs through personal, farm-site visitations,
- * assist customers to accurately determine the information required to complete all contract documentation and forms.

The Commitment . . .

You must be committed to providing top level service to the clients in your contract area. You will strive to continually pursue additional training in order to provide your customers with current, accurate information.

Each area will represent approximately 200-350 contract customers. The potential to increase this number will vary from area to area.

You must have sufficient confidence in your abilities to make an initial investment of \$4,000 - \$7,500 in cash equity and 4 - 5 weeks in training over the next 10 months.

The Support . . .

The Saskatchewan Crop Insurance Corporation will be presenting training courses and seminars on an ongoing basis to ensure that you are provided with the knowledge needed to fulfill your responsibilities in an effective and professional manner.

Course material and instruction will cover the insurance products offered by Saskatchewan Crop Insurance, as well as aspects of the business critical to the successful management of your territory.

The courses will include topics such as Time and Territory Management, Effective Writing for Business, Developing Effective Client Relations and Effective Selling.

Training Courses will be given annually, and will combine individual home study and group sessions at central locations throughout the province.

The Requirements . . .

Ideally, you are a results-oriented person with varied experience in community work and personal business success.

You are a self-starter, a goal-oriented individual who possesses a sound knowledge of agricultural practices and issues. You are able to establish positive interpersonal relationships with customers. You are also an effective manager of time, someone who can simultaneously and efficiently handle a number of activities.

You are available for initial training courses, as well as follow-up courses at future dates. You have access to personal transportation and willing to travel. Finally, you are committed to rural Saskatchewan, and will establish a business office presence in a rural trade locality.

The First Step . . .

If you're confident you possess these qualities, we encourage you to complete and return an application form and business plan.

Pick up your application form at your local Customer Service Office, Rural Service Centre, or by contacting Saskatchewan Crop Insurance head office in Melville, attention: AGENT RECRUITMENT, Box 3000, Melville, Saskatchewan, S0A 2P0.



Government of
Saskatchewan

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News Release

IMMEDIATE RELEASE
September 8, 1989

Crop Insurance Corporation 89-568

HARDY ANNOUNCES CROP INSURANCE MARKETING SYSTEM

Neal Hardy, minister responsible for the Saskatchewan Crop Insurance Corporation, announced today that a marketing agent system will be implemented by the corporation over the next year.

"It is a major initiative undertaken by the corporation that will result in approximately 230 new insurance businesses in rural Saskatchewan," Hardy said.

"At federal-provincial crop insurance reviews, conducted in late June, 1989, Saskatchewan producer groups identified the need for more personalized customer service. The implementation of an agency system responds directly to this."

The corporation also recognized the need for more frequent farm site visits to address customer concerns and provide personal contract services. The crop insurance program is changing rapidly and is becoming very flexible to accommodate agricultural insurance needs identified by Saskatchewan producers.

"The agents will form the marketing arm for the Saskatchewan Crop Insurance Corporation and will work in conjunction with the corporation's existing adjusters and customer service offices," Hardy said.

The agents, who will be selected over the next 10 months, will be involved in an intensive training program to enable them to assist customers in the completion of forms and documents, as well as providing complete contract service regarding production loss and damage.

The agents will be self-employed, commissioned sales and service representatives of the Saskatchewan Crop Insurance Corporation. They will operate within a designated territory and provide service on an individual basis to between 250 and 350 farmers.

Hardy noted that the recent success of the Livestock Feed Insurance Program illustrated the effectiveness of direct sales and service to farmers by increasing the number of forage contracts in 1989 to 15,803 compared with 1,151 in 1988.

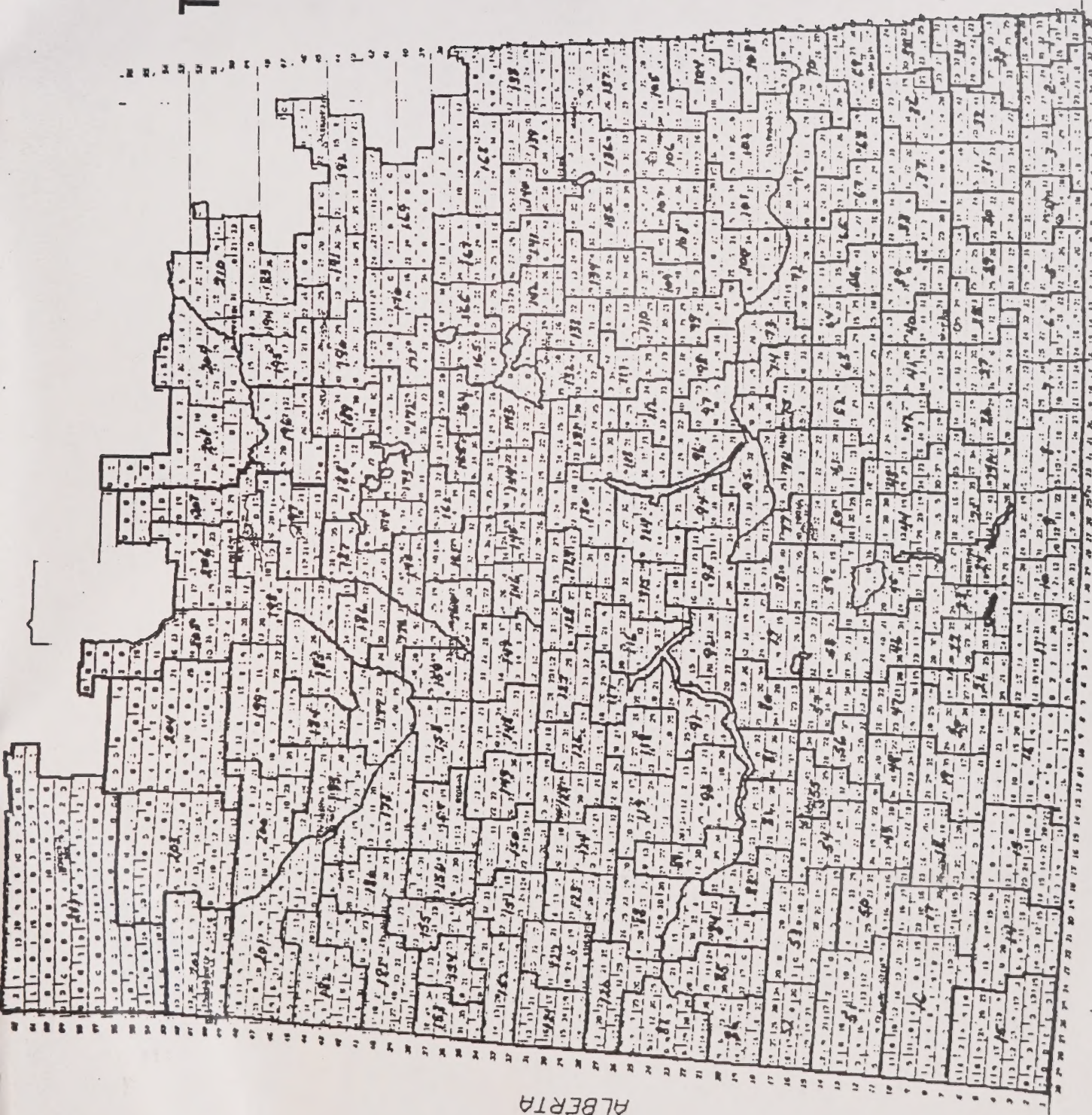
"The Saskatchewan Crop Insurance Corporation is committed to ensuring Saskatchewan agricultural producers are provided with world class insurance products and personalized service. The agency system will provide both," Hardy said.

"Crop insurance is an important part of good farm management. Agents will provide a much needed farmgate service, ensuring farm operators are protected based on their own needs," he said.

"It is vital that farmers have crop insurance protection that meets their own personal needs and the agent system is an important step in fulfilling that requirement."

AGENCY TERRITORY MAP

MANITOBA



ALBERTA

